

# BioGaia®

**Press Release 23 August, 2007 (10 pages)**

**BioGaia AB**

**Interim report 1 January – 30 June 2007**

(Figures in brackets refer to the previous year)

- Net sales amounted to SEK 51.2 million (41.2), an increase of SEK 10 million (24%).
- Operating profit was SEK 2.6 million (0.1), an improvement of SEK 2.5 million.
- Profit after tax was SEK 3.3 million (0.5), an improvement of SEK 2.8 million.
- Earnings per share were SEK 0.19 (0.03).
- The period's cash flow from operating activities before change in working capital was SEK 6.2 million (3.1). Total cash flow for the period was SEK 1.3 million (-1.1). Cash and cash equivalents at 30 June 2007 amounted to SEK 41.1 million.

## Key events in the second quarter of 2007

- Global agreement with Sunstar for an option to distribute BioGaia's oral health products in more than 100 countries.
- Agreement with Earth Biochemical for the right to sell oil drops with Reuteri for dogs in Japan.
- Agreement with Biolife for the right to sell BioGaia's newly developed portion-packed sachet containing colostrum and Reuteri in China.
- BioGaia's employee incentive scheme was carried out.

## Key events after the end of the second quarter

- Agreement with Verman for distribution of oral health products in Finland.
- Agreement with Thebe Medicare for distribution of oral health products in South Africa.
- Agreement with Ferring for distribution of BioGaia's probiotic drops in Brazil, Mexico and Greece.

### **Latest press releases from BioGaia:**

2007-08-16	BioGaia signs new agreement with Ferring Pharmaceuticals
2007-08-09	BioGaia signs agreement for oral health products in South Africa
2007-08-07	BioGaia signs agreement for oral health products in Finland

### **For additional information contact:**

Peter Rothschild, Managing Director, telephone: +46 8 -555 293 00,  
Jan Annwall, Deputy Managing Director telephone: +46 8 - 555 293 00

---

BioGaia is a biotechnology company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on the lactic acid bacterium *Lactobacillus reuteri* (Reuteri), which has probiotic, health-enhancing effects. The class B share of the Parent Company BioGaia AB is quoted on the Small Cap list of the Nordic Stock Exchange in Stockholm.

## **BioGaia AB (publ.)**

### **Interim report**

**1 January – 30 June 2007**

*Figures in brackets refer to the same period of last year.*

The Board of Directors and Managing Director of BioGaia AB (publ) hereby present the interim report for the period 1 January – 30 June 2007.

#### **BIOGAIA AB**

BioGaia is a biotechnology company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on the lactic acid bacterium *Lactobacillus reuteri* (Reuteri) which has health-enhancing effects. BioGaia has also developed unique delivery systems, such as straws and caps containing probiotics, that make it possible to create probiotic products with a long shelf life.

BioGaia's research is focused on selection of different probiotics for gut health, the immune system and oral health. Extensive clinical studies have shown that BioGaia's probiotic products:

- stimulate the human immune system,
- protect against gastrointestinal and respiratory infections,
- alleviate the side effects of antibiotic treatment,
- reduce the level of *H. pylori* infection,
- relieve infantile colic,
- reduce gum inflammation and the risk for dental caries, and
- reduce the risk for infection in premature infants.

BioGaia primarily sells finished probiotic products such as tablets, drops, oral health products (chewing gum and lozenges) and probiotic-containing straws and caps, but also sells license rights for the use of Reuteri cultures in customers' own products, such as dairy products and baby formula.

BioGaia's products are sold through nutrition, food, natural health, pharmaceutical and animal feed companies in some 30 countries worldwide. BioGaia holds patents for the use of Reuteri in all major markets.

BioGaia has 37 employees, of whom 16 are based in Stockholm, 14 in Lund, 2 in Raleigh, USA, and 5 in Hiroshima, Japan.

The class B share of the Parent Company BioGaia AB is quoted on the Small Cap list of the OMX Nordic Stock Exchange in Stockholm.

## **KEY EVENTS IN THE SECOND QUARTER OF 2007**

### ***Agreement with Sunstar***

In April BioGaia signed an additional agreement with Sunstar Suisse SA giving Sunstar an option within 12 months to obtain exclusive rights to distribute BioGaia's oral health products in more than 100 countries. The first launch under the new agreement is expected to take place in the USA during 2008. Sunstar will pay compensation to BioGaia during the option period.

Under an earlier agreement, Sunstar has the right to sell BioGaia's oral health products in Germany, France, Italy and Spain. The products, which are effective in treating gingivitis and reducing plaque are sold through pharmacies and dental clinics. Sunstar is one of the world's leading oral health companies.

### ***Annual General Meeting of BioGaia AB***

On 24 April, a unanimous AGM decided the following:

- election of Inger Holmström as a new Board member
- election of David Dangoor as the new Board Chairman
- an employee incentive scheme in accordance with the Board proposal,
- principles for remuneration and other terms of employment of senior executives in accordance with the Board proposal.

### ***Agreement with Earth Biochemical***

In June BioGaia signed an agreement with Earth Biochemical, a company in the Otsuka group, for the right to sell oil drops for dogs in Japan. The oil drops contain a Reuteri strain that has been specially developed for dogs.

### ***Employee incentive scheme***

In June BioGaia carried out the warrant programme that was approved by the AGM. The employees subscribed for a total of 128,950 warrants, equal to a dilutive effect of approximately 0.7% in the total number of shares and around 0.5% in the total number of votes. Each warrant entitles the holder to subscribe for one class B share at a price of SEK 76.70 during the period from 15 May 2010 to 31 August 2010. The warrant price was calculated according to the generally accepted Black & Scholes valuation model and was set to SEK 5.32 per warrant.

### ***BioGaia Japan***

In the second quarter, the company began trial sales of soy beverages with BioGaia's probiotic straw. Adaptation of the products and marketing strategy to the Japanese

market is in progress. The trial sales will continue in the second half of the year and a decision if and when the launch will take place is expected before the end of the year. The cost of the Japanese venture amounted to SEK 3.2 million in the first half of 2007.

#### ***Product launches in the second quarter***

Sunstar launched oral health products in Italy and Spain. The products were launched in Germany during the first quarter and the launch in France is taking place in the third quarter.

Ferring launched BioGaia's Probiotic drops in Spain and the Czech Republic.

Semper launched Reuteri drops and baby formula with Reuteri in Sweden. The drops are sold in Swedish pharmacies.

Laboratorios Casen launched Reuteri tablets in Spain.

#### **KEY EVENTS AFTER THE END OF THE SECOND QUARTER**

##### ***Agreement with Verman***

In August BioGaia signed an agreement with Verman OY giving Verman exclusive rights to distribute BioGaia's oral health products in Finland. The products will be sold via pharmacies and dental clinics. The launch of the oral health products is expected at the end of 2007.

Verman sells already BioGaia's probiotic drops and tablets.

##### ***Agreement with Thebe***

In August BioGaia signed an agreement with Thebe Medicare giving Thebe exclusive rights to distribute BioGaia's oral health products in South Africa. The launch of the oral health products is expected at the end of 2007.

Thebe sells already Reuteri tablets, Reuteri drops and probiotic straws in South Africa.

##### ***Agreement with Ferring***

In mid-August BioGaia signed an additional agreement with Ferring Pharmaceuticals. The agreement gives Ferring exclusive rights to sell BioGaia's Probiotic drops in Mexico, Brazil and Greece. The products will be sold under the BioGaia brand. The registration process will start immediately and the launch will take place soon as approval is obtained, which is expected in 2008.

Ferring already sells BioGaia's Probiotic drops in Spain, Portugal, Canada and the Czech Republic.

Ferring also has the right to sell BioGaia's probiotic drops in a number of countries in the Middle East.

#### **EARLIER EVENTS IN 2007**

##### ***Two agreements with Semper***

In January 2007 BioGaia signed an agreement with Semper AB giving Semper the right to sell BioGaia's probiotic drops in Sweden and Norway under the name "Semper Magdroppar". In March BioGaia signed an additional agreement giving Semper the right to use Reuteri in baby formula products for the Nordic market.

##### ***Colic study published***

At the beginning of 2007 the clinical study on the effects of Reuteri on colic was published in the scientific journal *Pediatrics* and attracted considerable attention from the media, including coverage by the American TV broadcasting company ABC and Swedish Science Radio P1. The results of the study demonstrate Reuteri's powerful efficacy in treating colic. This study, together with the study carried out on premature infants and large-scale safety studies performed by BioGaia, has further strengthened BioGaia's position in the paediatric area.

##### ***Agreement with Delta Medical***

In February BioGaia signed a distribution agreement with Delta Medical Promotions AG, Switzerland, giving Delta Medical exclusive rights to sell BioGaia's probiotic drops in Ukraine and non-exclusive rights in Russia. The drops will be sold under the BioGaia brand.

The registration process has started and the launch is scheduled for the end of the year.

##### ***Agreement with Everidis***

In March BioGaia signed an agreement with Everidis Health Sciences LLC giving Everidis the right to sell BioGaia's probiotic drops, tablets and straws in the USA. The products will be sold under the BioGaia brand to pharmacies and doctors throughout the USA. The launch is expected to begin in the latter part of 2007.

#### **FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2007**

The Group posted net sales of SEK 51.2 million (41.2), an increase of 24% compared to the same period of last year. BioGaia's probiotic drops and oral health products accounted for most of the period's sales growth.

The total sales doubled in Europe but fell by 38% in Asia. The drop in Asia is explained by a lump-sum payment in the previous year and decreased orders from two Japanese

customers. The decreased orders are due to owner and organisational changes at these customers. BioGaia is actively working to recover lost sales.

Gross profit for the period was SEK 34.2 million, representing a year-on-year increase of SEK 5.7 million.

Selling expenses rose by SEK 3.0 million over the same period of last year, mainly due to a cost increase of SEK 1.8 million attributable to the Japanese subsidiary and PR activities in the USA. Administrative expenses were up by SEK 0.4 million owing to legal costs in connection with the warrant programme and higher staff costs arising from a decrease in parental leave. R&D expenses were largely unchanged.

Operating profit was SEK 2.6 million (0.1), an improvement of SEK 2.5 million compared to same period of last year.

Profit after tax was SEK 3.3 million (0.5), an improvement of SEK 2.8 million compared to same period of last year.

BioGaia pays no tax as it has a cumulative loss carryforward. The total loss carryforward in the Group at 30 June 2007 amounted to approximately SEK 132 million. No deferred tax assets have been reported.

The Group's cash and cash equivalents at 30 June 2007 totalled SEK 41.1 million.

Cash flow was SEK 1.3 million, an increase of SEK 2.4 million compared to the same period of last year.

Cash flow from operating activities before change in working capital was SEK 6.2 million, an improvement of SEK 3.1 million compared to the same period of last year.

Consolidated equity amounted to SEK 78.7 million. The Group's equity/assets ratio was 84% (81%).

Capital expenditure on tangible assets totalled SEK 1.3 million (0.8). Expenditure on intangible assets was SEK 0 million (0). Amortisation of capitalised development expenses totalled SEK 1.7 million (1.7).

The Parent Company reported net sales of SEK 52 million (41.0) and a profit after tax of SEK 7.5 million (0.7).

#### ***Financial performance in the second quarter of 2007***

Second quarter sales amounted to SEK 24.7 million, up by SEK 4.4 million over the same

period of last year. Compared to the previous quarter, sales decreased by SEK 1.7 million.

Since BioGaia still has a limited number of customers, the timing of deliveries can lead to sizeable variations in income between periods. However, the Company's recurring order intake is rising steadily, which is helping to reduce quarterly variations.

Operating profit for the second quarter was SEK 0.3 million, a year-on-year improvement of SEK 0.1 million. Compared to the first quarter, operating profit fell by SEK 2.0 million. The decrease is due to lower sales and increased selling expenses.

Profit after tax for the second quarter was SEK 0.7 million, a year-on-year improvement of SEK 0.3 million. Compared to the first quarter of 2007, profit declined by SEK 1.9 million. The decrease is due to lower sales and increased selling expenses.

Second quarter cash flow was SEK 2.5 million. Cash flow from operating activities before change in working capital was SEK 2.1 million.

#### **EMPLOYEES**

The total number of employees at 30 June 2007 was 37 (33).

#### **SIGNIFICANT RISKS AND UNCERTAINTIES**

The trial sales that have been started in Japanese retail shops give rise to increased market risk. Although there is a strong interest in these products in the market, relatively large volumes are needed to achieve good profitability. If the trial sales do not produce the desired results and the launch is not carried out, this could lead to extra ordinary costs.

In other respects no major changes in significant risks and uncertainties took place during the period, see pages 4 and 5 and Note 30 in the 2006 annual report.

#### **FUTURE OUTLOOK**

By maintaining a largely stable cost level, increasing sales to existing customers and developing business with new customers, BioGaia's objective is to attain solid and sustainable profitability.

In view of the Company's strong portfolio of innovative products, successful clinical trials and growing distribution network covering a large share of the key markets, BioGaia's future outlook is bright.

## **CONSOLIDATED INCOME STATEMENTS**

(Amounts in SEK 000s)

	<b>Jan-June 2007</b>	Jan-June 2006	<b>April- June 2007</b>	April- June 2006	Jan-Dec 2006
Net sales	51,163	41,218	24,726	20,345	86,792
Cost of goods sold	-16,985	-12,723	-8,163	-6,333	-27,636
<i>Gross profit</i>	34,178	28,495	16,563	14,012	59,156
Other operating income	437	-	411	-	166
Selling expenses	-18,192	-15,224	-9,646	-7,653	-30,886
Administrative expenses	-3,967	-3,577	-2,007	-1,655	-6,847
Research and development expenses	-9,016	-8,838	-4,677	-4,284	-18,755
Other operating expenses	-	-282	28	-15	-433
Share in profit/loss of associated company	-840	-450	-373	-180	-685
<i>Operating profit</i>	2,600	124	299	225	1,716
Financial income and expenses	686	370	363	180	1,039
Tax expense for the period	-	-	-	-	-35
<b>PROFIT FOR THE PERIOD</b>	<b>3,286</b>	494	<b>662</b>	405	2,720

## **Earnings per share**

Earnings per share (average number of shares), SEK

	0.19	0.03	0.04	0.02	0.16
Earnings per share after dilution, SEK	0.19	0.03	0.04	0.02	0.16
Number of shares, thousands	17,208	17,208	17,208	17,208	17,208
Average number of shares, thousands	17,208	17,208	17,208	17,208	17,208
Average number of shares after dilution, thousands	17,218	17,208	17,218	17,208	17,208

## **CONSOLIDATED BALANCE SHEETS**

(Amounts in SEK 000s)

### **ASSETS**

	<b>30 June 2007</b>	31 Dec 2006	30 June 2006
Intangible assets	9,685	11,416	13,270
Tangible assets	2,364	1,389	1,442
Participations in associated company	4,348	5,188	4,423
Long-term receivables	5,418	5,418	5,418
Current assets excl. cash and cash equivalents	31,319	27,633	17,398
Cash and cash equivalents	41,087	39,719	47,167
<b>TOTAL ASSETS</b>	<b>94,221</b>	90,763	89,118

### **EQUITY AND LIABILITIES**

Shareholders' equity	78,696	74,530	72,200
Interest-bearing current liabilities	-	-	2,984
Interest-free current liabilities	15,525	16,233	13,934
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>94,221</b>	90,763	89,118

**CONSOLIDATED CASH FLOW STATEMENTS**

(Amounts in SEK 000s)

**Operating activities**

	<b>Jan-June 2007</b>	<b>Jan- June 2006</b>	<b>April- June 2007</b>	<b>April- June 2006</b>	<b>Jan-Dec 2006</b>
Operating profit	2,600	124	299	225	1,716
Depreciation/amortisation	2,090	2,125	1,067	1,060	4,314
Capital gains/losses on the sale of fixed assets	-	-107	-	-107	-147
Share in profit/loss of associated company	840	450	373	180	685
Other non-cash items	-33	93	2	66	143
Interest received and paid	686	370	363	180	1,039
Cash flow from operating activities before changes in working capital	6,183	3,055	2,104	1,604	7,750
Changes in working capital	-4,183	-1,643	-181	-2,598	-8,581
<i>Cash flow from operating activities</i>	<b>2,000</b>	<b>1,412</b>	<b>1,923</b>	<b>-994</b>	<b>-831</b>
<i>Cash flow from investing activities</i>	<b>-1,340</b>	<b>-2,473</b>	<b>-114</b>	<b>-1,793</b>	<b>-4,566</b>
<i>Cash flow from financing activities</i>	<b>686</b>	<b>-</b>	<b>686</b>	<b>-</b>	<b>-2,984</b>
Cash flow for the period	1,346	-1,061	2,495	-2,787	-8,381
Cash and cash equivalents at beginning of period	39,719	48,349	38,626	50,034	48,349
Exchange differences in cash and cash equivalents	22	-121	-34	-80	-249
Cash and cash equivalents at end of period	<b>41,087</b>	<b>47,167</b>	<b>41,087</b>	<b>47,167</b>	<b>39,719</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(Amounts in SEK 000s)

	<b>Jan- June 2007</b>	<b>Jan- June 2006</b>	<b>Jan-Dec 2006</b>
At beginning of period	74,530	71,779	71,779
The period's translation difference	194	-73	31
Warrants in BioGaia AB	686	-	-
Profit for the period	3,286	494	2,720
At end of period	<b>78,696</b>	<b>72,200</b>	<b>74,530</b>

**SEGMENT REPORTING - GROUP**

(Amounts in SEK 000s)

**Sales**

	<b>Jan-June 2007</b>	<b>Jan-June 2006</b>	<b>Jan-Dec 2006</b>
Europe	33,231	16,359	37,290
USA and Canada	3,412	2,830	6,888
Asia	11,257	18,218	32,027
Rest of world	3,263	3,811	10,587
	<b>51,163</b>	<b>41,218</b>	<b>86,792</b>

**PARENT COMPANY INCOME STATEMENTS**

	Jan-June 2007	Jan-June 2006	Jan-Dec 2006
Net sales	52,044	40,985	86,855
Cost of goods sold	-17,908	-12,669	-27,777
<i>Gross profit</i>	34,136	28,316	59,078
Selling expenses	-14,846	-15,224	-28,676
Administrative expenses	-3,967	-3,577	-6,846
Research and development expenses	-8,995	-8,810	-18,553
Other operating income	-	-	80
Other operating expenses	437	-331	-433
<i>Operating profit</i>	6,765	374	4,650
Result from participations in associated company	-	-	-3,712
Net financial items	770	370	1,036
<b>PROFIT FOR THE PERIOD</b>	<b>7,535</b>	<b>744</b>	<b>1,974</b>

**PARENT COMPANY BALANCE SHEETS****ASSETS**

	2007-06-30	2006-12-31	2006-06-30
Intangible assets	9 685	11 416	13 270
Tangible assets	2 161	1 145	1 313
Shares in group companies	4 137	4 137	3 568
Shares in associated companies	5 188	5 188	7 900
Long-term receivables from group companies	4 796	-	-
Long-term receivables from associated companies	5 400	5 400	5 400
Current assets excl. cash and cash equivalents	30 918	28 450	16 709
Cash and cash equivalents	40 221	38 640	46 958
<b>TOTAL ASSETS</b>	<b>102 506</b>	<b>94 376</b>	<b>95 118</b>

**EQUITY AND LIABILITIES**

Shareholder's equity	84 399	76 178	74 948
Interest-bearing current liabilities	-	-	2 984
Interest-free current liabilities	18 107	18 198	17 186
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>102 506</b>	<b>94 376</b>	<b>95 118</b>

**PARENT COMPANY CASH FLOW STATEMENTS**

	Jan-June 2007	Jan-June 2006	Jan-Dec 2006
<u>Operating activities</u>			
Operating profit	6,765	374	4,650
Depreciation/amortisation	2,056	2,076	4,187
Capital gains/losses on the sale of fixed assets	-	-	-60
Other non-cash items	-39	35	143
Interest received and paid	769	370	1,036
Cash flow from operating activities before changes in working capital	9,551	2,855	9,956
Changes in working capital	-2,559	-966	-10,864
<i>Cash flow from operating activities</i>	<i>6,992</i>	<i>1,889</i>	<i>-908</i>
<i>Cash flow from investing activities</i>	<i>-6,136</i>	<i>-2,444</i>	<i>-4,931</i>
<i>Cash flow from financing activities</i>	<i>686</i>	<i>-</i>	<i>-2,984</i>
Cash flow for the period	1,542	-555	-8,823
Cash and cash equivalents at beginning of period	38,640	47,606	47,606
Exchange differences in cash and cash equivalents	39	-93	-143
Cash and cash equivalents at end of period	40,221	46,958	38,640

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

(Amounts in SEK 000s)

	<b>Jan-June 2007</b>	<b>Jan-June 2006</b>	<b>Jan-Dec 2006</b>
At beginning of period	76,178	74,204	74,204
The period's translation difference	686	-	-
Result for the period	7,535	744	1,974
At end of period	84,399	74,948	76,178

**SEGMENT REPORTING**

(Amounts in SEK 000s)

	<b>Jan-June 2007</b>	<b>Jan-June 2006</b>	<b>Jan-Dec 2006</b>
Europe	33,231	16,359	37,205
USA and Canada	3,316	2,597	6,583
Asia	12,234	18,218	32,480
Rest of world	3,263	3,811	10,587
	52,044	40,985	86,855

**RELATED PARTY TRANSACTIONS GROUP AND PARENT COMPANY**

(Amounts in SEK 000s)

The Group has a 50% holding in TwoPac AB, which is reported as an associated company. The following transactions have taken place with TwoPac AB.

	<b>Jan-June 2007</b>	<b>Jan-June 2006</b>	<b>Jan-Dec 2006</b>
Interest income	142	101	227
Purchase of goods	335	173	527
Advance payments for future deliveries	600	-	-
Purchase of machinery and equipment	1,196	-	-

The closing balance at the end of the period was as follows:

*Long-term receivables from related parties*

	<b>30 June 2007</b>	<b>31 Dec 2006</b>	<b>30 June 2006</b>
Long-term receivables from TwoPac AB	5,400	5,400	5,400

*Current transactions with related parties*

Current receivables from TwoPac AB	72	55	65
Current liabilities to TwoPac AB	-92	-77	-44
	-20	-22	21



<b>KEY RATIOS FOR THE GROUP 1)</b>	<b>Jan- June 2007</b>	<b>Jan- June 2006</b>	<b>Jan-Dec 2006</b>
<b>Return on</b>			
- average shareholders' equity	4.3%	0.7%	4.0%
- average capital employed	4.3%	0.9%	4.0%
<b>Capital employed, SEK 000s</b>	<b>78,696</b>	75,184	74,530
<b>Number of shares, thousands</b>	<b>17,208</b>	17,208	17,208
<b>Average number of shares, thousands</b>	<b>17,208</b>	17,208	17,208
<b>Number of outstanding warrants, thousands</b>	<b>129</b>	-	-
<b>Number of outstanding warrants with a dilutive effect, thousands</b>	<b>10</b>	-	-
<b>Average number of shares after dilution, thousands</b>	<b>17,218</b>	17,208	17,208
<b>Earnings per share, SEK</b>	<b>0.19</b>	0.03	0.16
<b>Earnings per share after dilution, SEK</b>	<b>0.19</b>	0.03	0.16
<b>Equity per share, SEK</b>	<b>4.57</b>	4.20	4.33
<b>Equity per share after dilution, SEK</b>	<b>4.57</b>	4.20	4.33
<b>Equity/assets ratio</b>	<b>84%</b>	81%	82%
<b>Average number of employees</b>	<b>36</b>	33	34

1) The definitions of key ratios correspond to those used in the annual report.

#### **ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) that have been endorsed by the European Commission for application in the EU. This consolidated interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is consistent with the requirements stated in the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim Financial Reporting for Groups. The Group applies the same accounting and valuation principles as in the 2006 annual report.

#### **Financial calendar:**

25 October 2007    Interim report 1 January – 30 September 2007  
13 February 2008    2007 year-end report

We hereby give our assurance that this interim report provides a true and fair picture of the business operations, financial position and operating results of the Parent Company and the Group, and presents the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

**Stockholm, 23 August 2007**

**David Dangoor**  
Board Chairman

**Jan Annwall**  
Board Member

**Stefan Elving**  
Board Member

**Thomas Flinck**  
Board Member

**Stina Gestrelus**  
Board Member

**Inger Holmström**  
Board Member

**Paula Zeilon**  
Board Member

**Peter Rothschild**  
Managing Director

## REVIEW REPORT

### *Introduction*

I have reviewed the interim report for BioGaia AB (publ), corporate identity number 556380-8723, for the period from 1 January to 30 June 2007. The Board of Directors and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express a conclusion on this interim financial information based on my review.

### *Scope of review*

I conducted my review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable me to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

### *Conclusion*

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not, in all material aspects, prepared in accordance with IAS 34 and the Swedish Annual Accounts.

**Stockholm, 23 August 2007**

**Lena de Rosche**

Authorised Public Accountant  
Lindebergs Grant Thornton AB

**BioGaia AB**  
**Box 3242 SE-103 64 STOCKHOLM**  
**Telephone: +46 (0)8 555 293 00**  
**[www.biogaia.com](http://www.biogaia.com)**  
**Corp. reg. no. 556380-8723**  
**For additional information contact:**  
**Peter Rothschild, Managing Director, telephone: +46 (0)8 - 555 293 00,**  
**Jan Annwall, Deputy Managing Director, telephone: +46 (0)8 - 555 293 00**